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C O N F I D E N T I A L SECTION 01 OF 04 ANKARA 007444

SIPDIS

E.O. 12958: DECL: 12/01/2013

TAGS: [PREL](#) [ETRD](#) [ETTC](#) [PTER](#) [TU](#) [IZ](#)

SUBJECT: IRAQ: TURKS AGREE TO IMPROVE EFFICIENCY AT HABUR
BORDER CROSSING, SEEK PREFERENTIAL TRADE AND OIL
ARRANGEMENTS

REF: ANKARA 7253

Classified by DCM Robert Deutsch. Reasons 1.5 b and d.

Summary

11. (C) Iraqi Minister of Interior Nuri Badran led an interagency Iraqi/CPA delegation to Ankara Nov. 30-Dec. 2 to discuss with Turkish authorities improving the efficiency of operations at the Habur border crossing so that bulk fuels flow smoothly and regularly through the winter months. The agenda of the Turkish side was much broader, something the Iraqi/CPA delegation only learned during the first session. The Turks sought to engage in detail on the aspects of the agreement reached with Jalal Talabani and the IGC delegation on Nov. 21 (Reftel). The talks produced signed agreed minutes (text at para 5) that dealt with a broad range of trade, transportation and oil issues in addition to improving conditions and working for more throughput at Habur. The Turks repeatedly insisted that Habur was operating at full capacity 24 hours/day seven days/week and that there were no lines of trucks there. In the end, they conceded that the bridge has fewer than 2,800 trucks per day crossing and has a capacity of 4,000 (this figure is also suspect), but that goal would be impossible to reach in the short term. The Turks, and State Minister for Foreign Trade Kursad Tuzmen in particular, were insistent that Iraq afford Turkey preferential treatment, from assuring Turkey that at least one of the six foreign bank licenses available in Iraq be granted to a Turkish bank, to granting Turkey below-market prices for Iraqi crude oil, to assuring that all Turkish contracts approved and funded by the UN under Oil-for-Food be prioritized for completion. The Iraqi side resisted making commitments, but agreed to continue talks on these issues in the months ahead. End Summary.

12. (C) Iraqi Interior Minister Badran, accompanied by Deputy Trade Minister Fakhreddin Rashaan, CPA Deputy Administrator Amb. Richard Jones, SOMO head of shipping Fatin Fatohi, MFA Amb. Sabah Omran, CPA advisors to the Interior, Trade and Oil Ministries, a representative from Iraqi Customs, representatives from the 101st Airborne and KBR, and Charge and Embassy staff met with Turkish MFA, Trade, Customs and Interior officials in Ankara Nov. 30 and December 1. The Iraqi side had asked to discuss Habur Bridge and issues related to ensuring the smooth flow of bulk fuels for the winter months. Tuzmen, in the opening session Dec. 1 said that in addition to solving the Habur problems (which he seemed to blame on changing and unpredictable fees for importing goods on the Iraqi side), Turkey needed the talks to address: 1) a second border crossing; 2) a new agreement between SOMO and TPIC/TPAO on oil sales; and 3) entry into a new phase of the Turkey-Iraq border trade agreement. He concluded his opening statement by saying "we need trade privileges from you. We are unique as a democracy in the neighborhood. I do not want equal treatment. I want special treatment for Turkey."

13. (C) In the three subcommittees that met separately on Dec. 1 (customs, trade and oil) the tone was similar, with the Turkish side pressing hard for agreements to be signed that day that would grant Turkey special status in its trade with Iraq. The Iraqis did not make commitments but agreed to consider Turkish proposals. On the Habur issues in the Customs group, the Turks agreed to put additional customs personnel at the Habur facility, to reorganize their customs procedures and to strengthen the cooperation of the various Turkish authorities working at the facility with a goal of processing 1850 trucks/day in each direction by the end of 2003. (Comment: Monitoring implementation of this commitment will be critical.) In the trade subcommittee, the Turks said that they were prepared to immediately consider sending fuel products to Iraq through Syria via rail (and possibly by truck) to reduce the pressure/reliance on Habur, and wanted to begin the technical work on a second gate in early 2004. They said that the road work alone required on the Turkish

side for that project will take eight months to complete, making this a medium-term alternative to Habur at best. In the oil group, after unsuccessfully seeking from SOMO a preferential pricing agreement for crude in the context of the border trade agreement, the Turks agreed to move kerosene by train through Syria within two weeks under an existing contract and agreed on price for other refined products. The two sides agreed to initiate negotiations concerning details and modalities of new crude contracts.

14. (C) In the final session, Tuzmen reiterated his expectation of preferential treatment, and sought commitments that Iraq would honor all Turkish OFF contracts that had been approved and funded whether or not they had been selected for prioritization and a guarantee that a Turkish bank would receive one of the six available licenses for foreign banks to operate in Iraq. When the Iraqi side was unwilling to make such commitments, Tuzmen grew animated and said that he would understand Iraqi support as an expression of political will in Iraq toward Turkey. The Iraqis and CPA advisors assured him that Turkey had Iraq's support, but that the commitments he sought were beyond the competence of the delegation.

15. (U) Text of Minutes of Meeting as signed in Ankara, Dec. 2:

Begin text:

MINUTES OF MEETING

The Turkish and Iraqi Delegations met in Ankara on December 1-2, 2003, to activate the Agreed Minutes signed on November 21, 2003 in Ankara and agreed on the following;

1. The two Sides agreed to exert every possible effort to further promote and diversify bilateral trade to a higher level corresponding to their potentials on a mutually beneficial basis.

2. The Turkish Side submitted a draft agreement on Preferential Trade to be implemented between the two countries and a note on the concept of the Border Trade Centers to be established on the Turkish-Iraqi border. The two Sides decided to meet during January 2004, in Ankara with the aim to conclude the above-mentioned agreements.

3. The two Sides noted with satisfaction the execution of the existing contracts of the Turkish companies within the framework of the Border Trade Arrangement.

The two Sides agreed on the following payment mechanism for the deliveries of the Turkish companies starting from the date of the signing of this Minutes of Meeting.

a. The concerned Ministry of the Iraqi importer will submit the certificate of acceptance to the Ministry of Trade after ten (10) working days from the date of the arrival of the goods to the warehouses of the first party in compliance with the relevant contracts.

b. The Ministry of Trade, following the confirmation of the senior advisor of the Ministry of Trade CPA, will submit these documents directly to the Office of the Commercial Counselor of the Turkish Embassy within five (5) days.

c. the Undersecretariat of Foreign Trade will give the necessary instruction for the completion of the procedure.

The two Sides agreed to hold technical meetings simultaneously with the negotiations of BTC and PTA, with the aim to determine the implementation of the &contracts funded and partially shipped⁸ as well as &contracts funded but not shipped.⁸

The two Sides also agreed to conclude a new contract between TPIC and SOMO for the purchase of crude oil from Iraq within the framework of border trade. To this end, TPIC of Turkey submitted its proposals to the Iraqi Side for consideration. The two Sides agreed to initiate the negotiations concerning details and modalities of the new contracts.

14. The two Sides, considering the existing congestion observed in the Habur Border Gate and referring to the Article 10 of the Agreed Minutes dated November 21, 2003, decided to start the negotiations for opening a second border crossing point during December 2003, in Silopi.

15. The two Sides expressed that the Nusaybin-Qamishly-Mosul railway should be utilized within full capacity. To this end, the two Sides agreed to take initiatives to organize a trilateral meeting among the TCDD, IRR and CFS authorities under the coordination of the Undersecretariat of Foreign Trade of Turkey and the Ministry of Trade of Iraq during December 2003, in Turkey.

16. The two Sides noted with satisfaction the new suggested contracts between TPIC and SOMO for trading of petroleum products including gasoline, gas oil and kerosene via Nusaybin-Qamishly-Mosul railway, and by trucks via Habur-Zakho or any other established routes.

The Turkish Side stated that the kerosene exportation to Iraq via the Nusaybin-Qamishly-Mosul railway would start in two weeks.

17. The Turkish Side submitted to the Iraqi Side the list of the contracts, including the construction of National Center for Diabetic and Endocrinology Diseases and light commercial vehicles and cars which were signed by Turkish companies with the Iraqi state companies within the framework of Oil for Food Program and requested the assistance of the Iraqi Side for their prioritization.

The Iraqi Side agreed to extend necessary assistance and support for these contracts.

18. The two Sides expressed that Kirkuk-Yumurtalik Pipeline and its functioning constitutes an important and strategic element in the bilateral commercial and economic relations between Turkey and Iraq. In this framework, the Iraqi Side undertook to take all necessary measures for the proper functioning and protection of the Pipeline.

19. In order to fully benefit both countries' potential, the two Sides agreed that the existing situation at the Turkey-Iraq border crossing needs to be improved. In that respect they agreed as follows:

a. To form a joint committee of customs officials at the border, which would meet at least weekly to improve efficiency and coordinate anti-smuggling operations. The first meeting will be held no later than December 10th 2003. Representatives from each side will be approved by their respective authorities and agreed to by both parties.

b. To increase information exchange, including establishing a hot line between customs posts on both sides of the border and exchanging statistics about the flow of traffic going both ways across the border.

c. To increase significantly the number of national customs officials at their respective customs posts so that they maintain full capacity operations 24 hours a day 7 days a week to reach a goal of 1850 trucks per day in each direction by the end of 2003.

d. To focus their efforts at improving efficiency of operations so that the number of trucks waiting to enter their respective countries immediately begins to decrease with a goal of significantly reducing average driver waiting time on both sides of the border aiming at no more than 24 hours by the end of 2003.

The respective authorities of the two Sides will meet again to review the implementation and impact of these agreed customs actions no later than January 15th 2004.

10. The two Sides agreed to organize the visits of Turkish contractors and bankers to Iraq during January 2004.

11. The two Sides agreed to conclude an Action Plan⁸ for further promoting and consolidating commercial and economic relations between the two countries.

112. The two Sides decided to hold the 15th Session of the Turkish-Iraqi Joint Economic Committee in April 2004, in Ankara.

Done and signed in Ankara on December 2, 2003, in two originals in the English language, both texts being equally authentic.

On Behalf of the Turkish Side

the Iraqi Side

Tuncer Kayalar

Rashaan

Undersecretary for Foreign Trade

of Trade

On Behalf of

Fakhreddin

Deputy Minister

End text of minutes.

16. (U) Amb. Jones has cleared this message.

17. (U) Baghdad minimize considered.
EDELMAN